

Middle Class Economics: A Government of the Future

The President's 2016 Budget is designed to bring middle class economics into the 21st Century. This Budget shows what we can do if we invest in America's future and commit to an economy that rewards hard work, generates rising incomes, and allows everyone to share in the prosperity of a growing America. It lays out a strategy to strengthen our middle class and help America's hard-working families get ahead in a time of relentless economic and technological change. And it makes the critical investments needed to accelerate and sustain economic growth in the long run, including in research, education, training, and infrastructure.

These proposals will help working families feel more secure with paychecks that go further, help American workers upgrade their skills so they can compete for higher-paying jobs, and help create the conditions for our businesses to keep generating good new jobs for our workers to fill, while also fulfilling our most basic responsibility to keep Americans safe. We will make these investments, and end the harmful spending cuts known as sequestration, by cutting inefficient spending and reforming our broken tax code to make sure everyone pays their fair share. We can do all this while also putting our Nation on a more sustainable fiscal path. The Budget achieves about \$1.8 trillion in deficit reduction, primarily from reforms to health programs, our tax code, and immigration.

The President is committed to creating a government that makes a significant, tangible, and positive difference in the economy and the lives of the American people, and to driving lasting change in how government works. This Administration has launched successful efforts to eliminate wasteful IT spending, reduce the Federal real property footprint, modernize and improve citizen-facing services, and open tens of thousands of Federal data sets to spur innovation in the private sector.

The Budget supports continued progress on the President's Management Agenda, which will deliver a 21st century government that is more effective, efficient, and will drive the continued economic growth that the American people deserve. The Agenda's four pillars provide the framework for efforts to improve management government-wide:

- **Effectiveness** - delivering world class customer service to citizens and businesses;
- **Efficiency** - enhancing productivity and achieving cost savings across the government;
- **Economic Growth** - opening government-funded data and research to the public to spur innovation, entrepreneurship, economic growth, and job opportunities; and
- **People and Culture** - unlocking the full potential of today's Federal workforce and building the workforce we need for tomorrow

Since launching the Management Agenda last year, we have seen significant progress in each pillar. For example, the Administration launched the U.S. Digital Service (USDS), a small team of our country's top digital experts working to expand the Federal government's capacity to deliver world-class service to the American people. We increased our focus on delivering better customer service, increased shared services and established a new process to streamline our purchases across government. We also made significant progress toward achieving the Administration's open data goals and launched a comprehensive plan to deliver on the full potential of the Senior Executive Service.

Building on this progress, the Budget ramps up investments that will modernize and improve how we serve citizens, and improve the efficiency of taxpayer dollars. Past investments in management priorities have already resulted in significant returns on investment for the American people. For example, an \$11 million investment in the development and execution of PortfolioStat -- a data driven review of agency IT portfolios -- along with other OMB and technology reform and implementation efforts has saved the Federal Government \$2.7 billion over the past three years. Beyond cost savings, the PortfolioStat initiative has helped the government modernize and update IT services to make programs more innovative and effective.

Even as we continue to make progress through the Management Agenda, the Budget also supports the President's plan to reorganize the Federal Government, helping us do more for less, while supporting our core mission to serve the American people.

Effectiveness: Delivering World Class Customer Service for Citizens and Businesses. The Budget invests in helping Government keep pace with the innovative practices and user experiences that the American people and businesses expect.

- **Ramping Up Smarter IT Delivery Efforts.** The Administration has already begun implementing a comprehensive approach to improve the way we deliver technology services to the public. This includes bringing top technologists and entrepreneurs to work within agencies on the highest priority projects, leveraging best practices to ensure oversight and accountability of IT spending, and improving IT procurement to expand government contracting to small and innovative companies. The Budget continues support for these efforts, including a \$105 million investment to scale the USDS model and establish digital service teams within 25 agencies. It also includes \$35.2 million in funding for IT Oversight and Reform (ITOR) to scale up the central USDS team to aid in building the agency teams, increase oversight and accountability for IT spending, improve IT procurement, and improve agency cybersecurity and cyber readiness.
- **Delivering World Class Customer Service.** The Administration is continuing its efforts to improve the quality, timeliness, and effectiveness of Federal services by developing standards, practices, and tools for agencies to improve their customer service. We have established the Federal Customer Service Awards program, which will recognize individuals and teams who provide outstanding customer service directly to the American people. The awards will begin in the fall of 2015, and will support innovative practices and provide performance incentives to outstanding frontline employees.

Efficiency: Increase Quality and Value in Core Operations and Enhance Productivity to Achieve Cost Savings. Over the years, duplicative efforts have made government less effective, wasting taxpayer dollars and making it harder for the American people to navigate their government. To address this issue, the President has focused on improving government efficiency. The Budget invests in expanding shared services, simplifying Federal contracting, continued benchmarking to drive data-driven Federal management, and shrinking the Federal real property footprint.

- **Expand Shared Services to Increase Quality and Savings.** Greater use of shared services for administrative functions will reduce duplicative efforts and free up resources for mission critical activities. The President's Budget provides funding for cabinet agencies to move to shared service agreements for their financial management functions, including at the

Departments of Commerce, Housing and Urban Development, Labor and components of the Department of Homeland Security. The Budget funds Treasury's Office of Financial Innovation and Technology, which is charged with coordinating and expanding shared services in financial management, and builds on early efforts with a new governance model for shared service providers that incorporates feedback from early adopters and builds on lessons learned from the private sector.

- **Buying as One through Category Management.** As announced in December 2014, the Administration has embarked on a fundamental shift in its approach to purchasing through the adoption of a Category Management model. Under Category Management, the Administration will "buy as one" by creating common categories of products and services across government, and managing each category as a mini-business with its own set of strategies. Each category will be led by a senior team with specific expertise in their assigned category. Through the collection and sharing of prices paid and other key performance information and the application of best commercial practices, the government will improve how we acquire and manage common requirements. This will ensure that agencies get a more competitive price and better performance when they are buying similar commodities under similar circumstances, and will allow our acquisition workforce to focus their time and energy on critical mission-specific procurement.
- **Refining Cost and Quality Benchmarks for Core Administrative Functions.** Beginning in 2014, the Administration established cost and quality benchmarks in human resources, finance, acquisition, IT, and real property. Agencies were able to see for the first time both how their internal bureaus compared against each other, and how they performed compared to peer agencies and the government-wide average. We are already seeing results as a result of this effort, with some agencies reporting as much as a 10 percent increase in their reporting of contractor past performance, a vital way in which the Federal government tracks the performance of its contractors. In 2015 and 2016, we will expand the Benchmarking program to include customer satisfaction metrics and to incorporate the results into agency performance reviews and strategic planning exercises.
- **Cutting Improper Payments.** Combating improper payments within the Federal Government is a top priority for the Administration, and the Budget includes a number of program integrity proposals aimed at reducing improper payments and improving government efficiency. Specifically, the Budget strengthens controls for the Unemployment Insurance, Earned Income Tax Credit, and Health Care Fraud and Abuse Control programs by providing tools to improve program integrity. The Departments of Health and Human Services, Labor, and Treasury (IRS), will collaborate to conduct additional analysis to identify the root causes for improper payments in major programs, and develop new and improved prevention techniques. These include using advanced data analytics and improved technology to prevent improper payments before they occur.
- **Reducing the Real Property Portfolio.** The Administration will build upon the 21.2 million square foot portfolio reduction achieved in 2013 and 2014 under the "Freeze the Footprint" policy by issuing a National Strategy for Real Property and new "Reduce the Footprint" policy requiring agencies to set annual portfolio reduction targets and establish a space design standard. The Budget also proposes \$57 million for the Civilian Property Realignment Act board, which will recommend to Congress Federal properties to be sold, consolidated, co-

located, or reconfigured. The Administration is also making a significant investment in our Federally-owned facilities to ensure they serve agency missions at the lowest possible cost.

Economic Growth: Open Government Assets as a Platform for Innovation and Job Creation. By opening up Government-generated assets including data and the fruits of Federally-funded research and development (such as intellectual property and scientific knowledge) to the public, Government can empower individuals and businesses to significantly increase the public's return on investment in terms of innovation, job creation, and economic prosperity.

- **Opening Data to Spark Innovation.** The Administration has released more than 75,000 data sets to the public since 2009, with more than 67,000 added in the past year alone, while protecting individual privacy. Open data drives economic growth, unlocks opportunities for entrepreneurs, and opens the door to innovative academic research. The Budget reflects the Administration's open data priorities by proposing funding to support open data efforts such as Data.gov, identifying data sets in areas with high potential for economic impact, and developing performance metrics to measure agency progress in reaching open data goals.
- **Accelerating and Institutionalizing Lab-to-Market Practices.** The Budget reflects the Administration's commitment to improving the transfer of Federally-funded research results to the commercial marketplace. The Budget invests in NSF's public-private "Innovation Corps," which trains entrepreneurial scientists at university and national laboratories, and increases funding at NIST to strengthen interagency lab-to-market efforts.
- **Expanding Economic Measures.** The Budget provides \$5 million to develop and expand Department of Commerce measures of the energy and service trade sectors of the economy, including by establishing a new energy sector GDP to directly assist researchers and decision-makers in energy-related industries. Expanding and improving data on these dynamic service trade industries could help to support trade promotion efforts and more effectively implement a strong, pro-growth trade policy that creates high value jobs at home.
- **Improving Data Infrastructure and Collaboration.** The Budget proposes \$10 million in additional funding for the Census Bureau to build on its existing strengths and start developing a more comprehensive infrastructure for acquiring, linking, sharing, and analyzing key administrative datasets. These funds will allow agencies to measure outcomes and test new approaches more easily and cheaply across a range of Federal programs.

People and Culture: Unlocking the Potential of the Federal Workforce. The Administration is committed to attracting, developing, and retaining the best talent in the Federal workforce, so we can foster a culture of excellence and successfully deliver the highest quality solutions. The Budget supports reforms to the Senior Executive Service and efforts to encourage employee engagement, so that we can fully capitalize on the talent of the existing workforce and remain competitive as a 21st century workplace.

- **Creating a Culture of Excellence and Engagement to Enable Higher Performance.** The Budget supports efforts to strengthen management accountability for improving employee engagement; increasing the use of human capital data analytics; expanding government-wide training and increasing leadership development opportunities; and improving resource exchanges to share best practices across government.

- **Building a World-Class Federal Management Team.** The Administration is taking action to strengthen and broaden the experience base of the Federal executive corps. The Budget includes funding for OPM to build a stronger assessment and onboarding program for the Senior Executive Service (SES) and other senior leader positions. The budget also supports improvements in leadership and engagement training opportunities, including a new White House SES Advisory Committee and Fellows program, which will emphasize diversity and the changing needs of 21st century workforce.
- **Enabling Agencies to Hire the Best Talent from All Segments of Society.** The Administration will continue to streamline recruiting, hiring, onboarding, and will identify promising practices to deploy talent across agencies. These initiatives will increase diversity, reduce skills gaps, and improve organizational outcomes across government.
- **Expanding Paid Family Leave for Federal Employees.** The United States is the only industrialized country that does not guarantee workers paid parental leave, and evidence shows that the availability of paid maternity leave increases the likelihood that mothers return to their jobs following the birth of a child. In order to recruit and retain the best possible workforce to provide outstanding service to American taxpayers, the Budget proposes legislation that would offer Federal employees six weeks of paid administrative leave for the birth, adoption, or foster placement of a child. In addition, the proposal would make explicit the ability for parents to use sick days to care for a new child.

Improving Performance and Accountability. The Administration is executing the Management Agenda through the Cross-Agency Priority (CAP) Goals, which are focused on improving coordination across multiple agencies to address key performance improvement priorities. The CAP Goals are part of the performance improvement framework developed with Congress through the Government Performance and Results Act (GPRA) and the GPRA Modernization Act. Each CAP Goal has senior level Goal Leaders and publishes quarterly progress updates on Performance.gov. To support progress on the CAP Goals, the Budget proposes authority for the OMB Director, with prior notification to Congress, to transfer of up to \$15 million between agencies to support these cross-cutting initiatives (e.g., infrastructure permitting reform, STEM education, and veteran's mental health).

Reorganizing Government: Reforming the Government to Win in the Global Economy. The President is again asking to revive an authority enabling him to submit proposals to reorganize the Executive Branch for fast track approval by the Congress. In effect, the President is asking to have the same authority that any business owner has to reorganize or streamline operations to meet changing circumstances and customer demand. The Budget highlights several opportunities for reorganizing and reforming government, including a new proposal to consolidate USDA's Food Safety Inspection Service and the food safety components at FDA into a single new agency responsible for food safety inspection and enforcement, and foodborne illness outbreak prevention and response. The Budget continues prior proposals to consolidate a number of agencies and programs into a new Department with a focused mission to foster economic growth and spur job creation; consolidate science, technology, engineering, and mathematics programs, guided by the Federal STEM Education Five-Year plan; and reform the Tennessee Valley Authority to improve its long-term financial outlook and mitigate risk to taxpayers. In addition to these high-profile reforms, the Budget includes a variety of agency-level reforms to drive efficiency and accountability, prevent duplication, and make government work better and smarter for the American people.